

ITY& OWN

Mitchell Adams Commissioner Joseph J. Chessey, Jr., Deputy Commissioner

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Y2K — Why Care?

does not have the appeal that public safety or elementary school education issues can muster. Therefore, local officials need to educate the electorate in order to keep municipalities operating

at their current level.

Cities and towns depend on computer software programs to perform a wide range of critical functions such as processing payroll, calculating tax bills and operating traffic lights. Most software packages use date fields, and many of these date fields abbreviate the year to store only the last two digits, e.g., "97" rather than "1997." When January 1 of the Year 2000 (Y2K) arrives, old and new software, using two-digit date references will not work correctly or may not work at all. For example, a computer program that calculates interest on delinquent real estate tax bills may interpret a date paid of 01/02/00 as January 2, 1900, or it may refuse to process the payment. Software that projects several years in advance, such as programs for water or sewer betterments and budget projections, may already be failing.

Some officials may erroneously think that they have plenty of time — two or three years — to appropriate funds and remedy the problem. This assumption could be a dangerous one. Current projections estimate that fixing the Y2K software problem will cost approximately \$300 billion nationally. Organizations will be competing for the same vendors to remedy the problem. The law of supply and demand tells us that the closer we get to Y2K, fewer consultants will be available, and those that are available will charge more.

Another consideration for municipalities is that many are using old software programs that were custom developed. This type of software will require customized correction or replacement. Finding the money to address these problems may be difficult. The Y2K problem

This issue must be addressed now to avoid serious interruptions in municipal functions.

Communities have about 600 working days left in which to assess the problem, identify solutions, secure appropriations, procure vendors, manage contracts, test programs, and implement new systems (or contingency plans). In order to accomplish all of these goals, a commitment from management is needed. It would be wise to create an interdepartmental committee to assess each community's potential vulnerability to Y2K failures and to identify the actions necessary for temporary and permanent solutions. Once a community's Y2K problems are identified the following options are available:

- Fix the program, re-program the date fields and convert existing data.
- Upgrade the program by installing upgrade modules that are Y2K compliant.
- Replace the program/system with a modern Y2K compliant system.

The Year 2000 may provide the impetus to implement a new system now, but exercise caution so that too many

Written by David Davies

changes are not occurring at once. Each of the approaches listed above involve different costs, schedules and risks. Careful planning with continuous oversight will be necessary to accomplish successful software conversion or replacement. Although larger communities may have more Y2K compliance issues, even the smallest communities must determine if the programs and computers they use will work after 12/31/99. There is no way to delay the Year 2000: the deadline is absolute. It is critical that this issue be addressed now to avoid serious interruptions in municipal functions.

The Division of Local Services has information on Y2K planning and available resources. Selected information is posted to the DLS home page on the World Wide Web (http://www.state. ma.us/dls). Contact John DiOrio at (617) 626-2350 to request an information packet or David Davies, DLS Information Technology Director, at (617) 626-2383 if you have questions on Y2K issues. ■

Inside This Issue

Legal Questions & Answers	2
Focus Free Cash — A Basic Discussion	
DLS Update Appointments	7
Municipal Fiscal Calendar	8
Data Bank Highlight Appropriations and Revenues Report	8
Deputy Commissioner	8

2 Division of Local Services City & Town April 1997

LEGAL

in Our Opinion Contingent

Q: What is the interest rate for parcels in tax title?

A: When the collector presently makes a tax taking on a parcel for nonpayment of taxes, the interest rate is 16 percent pursuant to M.G.L. Ch.60 Sec.62. The interest percentage which accrues on a tax title, however, is that percentage which was in effect at the time of the original taking. Subsequent statutory changes in the rate have no effect on a tax title previously established. The original amount certified by the collector, together with all amounts subsequently certified to the tax title account, will accrue interest at the initial percentage. State Tax Form 410 (Record of Tax Title Held by City or Town) lists the interest as follows:

- 6.5 percent on tax titles created prior to August 8, 1966;
- 8 percent on tax titles created on or after August 8, 1966 and prior to July 21, 1970;
- 10 percent on tax titles created on or after July 21, 1970 and prior to October 14, 1976;
- 12 percent on tax titles created on or after October 14, 1976 and prior to August 16, 1979;
- 16 percent on tax titles created on or after August 16, 1979.
- **Q:** Does interest earned on the school lunch program belong to the school lunch revolving fund?

A: Yes. Ordinarily, interest belongs to the general fund in accordance with M.G.L. Ch.44 Sec.53, unless there is some other statutory provision. The state law which established the school lunch program (Ch.548 of the Acts of 1948) is silent on the subject of interest. Under federal regulations (7 CFR 11) and directives, however, which supersede state law, interest earned on the

school lunch program should be credited to the revolving fund. Any interest earned, therefore, must be used for program purposes.

Q: What is the due date for the submission of city budgets?

A: M.G.L. Ch.44 Sec.32 states that a mayor must submit the proposed budget to the city council "within one hundred and seventy days after the annual organization of the city government." Unless there is a charter provision or special legislation in effect, the mayor has until June 20 to submit the budget for the upcoming fiscal year. Prior to its amendment, M.G.L. Ch.44 Sec.32 gave a 120-day deadline for submission of budgets. For several years, however, the Legislature enacted special acts to allow mayors additional time to submit a budget. Finally, in 1995, the Legislature granted a permanent extension by amending M.G.L. Ch.44 Sec.32 to provide a 170-day deadline.

Q: Is a city employee protected from layoff if a salary for the position is provided by ordinance?

A: No. M.G.L. Ch.44 Sec.33A states that a city's annual budget "shall include sums sufficient to pay the salaries of officers and employees fixed by law or by ordinance." Even if there is an ordinance fixing the number of employees or their compensation, the Appeals Court has held that such an ordinance cannot supersede the mayor's power to limit appropriations under M.G.L. Ch.44 Sec.32. *Whalen v. Holyoke*, 13 Mass. App. 446 (1982). Accordingly, the mayor is not required to include funding for the position in the budget recommendation to the city council.

Q: Can a taxpayer who is eligible to defer his or her real estate taxes also defer his or her water and sewer charges?

continued on page seven →

Contingent Appropriations

Change in Law on Timing of Elections

Towns may seek to balance the annual budget, or fund capital projects, by means of an override or exclusion. Under M.G.L. Ch.59 Sec.21C(m), town meeting can make specific annual or special appropriations from the tax levy, available funds or borrowing contingent upon subsequent passage of a Proposition 2½ referendum question. A contingent appropriation eliminates the need for further town meeting action after the election.

A 1996 change in the law now measures the deadlines for holding any elections on a referendum question for a contingent appropriation from the "date of the close of the town meeting at which the appropriation vote occurs." [See Ch.454 Sec.26 of the Acts of 1996.] Previously, these deadlines were measured from the "date of the appropriation vote." If budget deliberations during town meeting were extended, that deadline may have made it difficult to hold timely just one election after town meeting dissolved to present any referenda questions intended to fund contingent appropriations. The new deadline will now permit towns to do so.

The following summarizes the basic provisions that now apply to the use of contingent appropriations:

- The purpose stated in the referendum question must be the same purpose as was stated in the appropriation vote;
- The appropriation is not effective until the question is approved, *i.e.*, the funds cannot be spent before approval;
- The first election at which the question appears on the ballot must take continued on page seven →

City & Town April 1997 Division of Local Services 3

Focus

on Municipal Finance

Free Cash — A Basic Discussion

The free cash calculation may not be obvious to new local officials or those not closely connected with municipal accounting. Over the past few years representatives from the Division of Local Services Bureau of Accounts have attended many professional municipal finance association meetings to demystify the free cash certification procedures. The purpose of this article is to continue the open discussion of free cash. Consequently, this article will define free cash, explain how it is generated and how it is calculated, and look at free cash trends statewide.

Free cash acquired its curious name from the vernacular. As defined in the dictionary, "free" means uncontrolled or unrestricted, and "cash" means money in hand and readily available. Technically, however, the Bureau of Accounts (BOA) defines free cash as the amount of a community's funds that are unrestricted and available for appropriation once certified by BOA's Director. The free cash calculation relies upon the balance sheet submitted by the town accountant or city auditor as of June 30 each year. The balance sheet is a statement, at a given point in time, of what a

community owns (assets), owes (liabilities) and what is left (fund balance).

Typically, unrestricted funds occur when a community's actual revenues exceed its budgeted revenues and/or when actual expenditures are less than budgeted expenditures. In order to have a healthy free cash balance a community must carefully budget both revenues and expenditures, thereby increasing fund balance on the balance sheet. To illustrate how free cash occurs we have created a simplified balance sheet in *Figure 1*.

Calculation

BOA calculates free cash by beginning with the undesignated fund balance on the balance sheet. Property tax receivables, other receivables not fully deferred, and certain other deficits are subtracted from this balance. The deferred revenue for property taxes is then added to this balance. Deferred revenue represents amounts that are measurable because they have been committed to the tax collector but are not yet expendable since they have not been collected. In addition, BOA reviews all funds and free cash may be reduced by any unprovided for or overdrawn accounts that are reflected in those funds, such as an overdrawn grant or agency account. Deficits in other funds are deducted from the free cash calculation because more was spent than collected thereby creating an implicit "loan" from the community's general fund.

In addition to the balance sheet, BOA requires a checklist with supplemental information. Accountants and auditors report information that helps BOA analyze how the community has generated free cash, such as:

- State and local estimated revenues vs. actual revenues;
- Prior year free cash not appropriated;
- Unexpended or unencumbered appropriations;
- · Appropriation deficits; and
- Revenue deficits.

This information together with changes in property tax receivables constitutes a free cash verification. However, before free cash is certified, total cash and investments reported on the treasurer's June 30 quarterly cash reconciliation report are compared to the total cash and investments reported on the accountant's balance sheet. A

continued on page six →

Figure 1

Simplified Balance Sheet Liabilities **Assets Fund Balance** 1 Cash 4,000,000 5 Warrants payable 250,000 8 Reserved for encumbrances 1,750,000 Receivables: 6 Deferred revenues 350,000 9 Undesignated fund balance 1,500,000 200,000 7 Other liabilities 500,000 Property taxes Other 300,000 4 Allowance for abatements (150,000)**Total assets** \$4,350,000 **Total liabilities** \$1,100,000 Total fund equity \$3,250,000 Total liabilities + fund equity \$4,350,000 Undesignated fund balance (line 9) - Receivables (lines 2 & 3) + Deferred revenue (line 6) = Free cash 1,500,000 - (200,000 + 300,000) + 350,000 = 1,350,000

Free Cash Balances: as of 7/1/95 and 7/1/96

7/1/95 7/1/96 as a % of as a % of Dollar FY96 budget FY97 budget Change	5.50 (600,303) 4.04 273,588 9.94 (178,726)		- ^			, ,		, , ,				
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7/1/95 7/1/96 free cash certification certification	270,075 2,052,228 1,451,925 199,585 473,173 486,593 307,867 85,565 204,498		2,911,183 219,463 482,6 (800,276) 451,8 94,475 170,6	5	5 2		α ω τ τ	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	0 0 t t 0 0 4 0 0 t 0	0 0 1 1 0 4 0 0 1 0 1 0 1 0 1		
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of Dollar get Change	(256,164) (140,361) (403,568) (37,687)		45,350 (572,088) 116,330 (563,982)	(572,088) (572,088) (116,330 (563,982) 456,205 388,811 698,267 (640,005)	45,350 (572,089) 116,330 (583,982) 466,205 388,811 (640,005) (1,688,180) (1,688,180) (1,688,180) (1,688,180) (1,688,180)	45,350 (572,088) 116,330 (563,982) 456,205 388,811 694,005) 13,704 (640,005) 1,246,635 39,498 21,114 (634,877) (1,78,98) 237,073	(572,089) 116,330 (572,089) 116,330 (583,982) 456,205 388,811 6840,005) 13.704 (204,266) (1,684,180) 1,246,635 389,409 2,1,114 (634,877) 1,178,480 (103,568) 328,122 (103,568) 328,122 (103,686)	45,350 (572,088) 116,330 (563,982) 456,205 388,811 699,267 (124,266) (1,246,635 32,073 (1,778,480 (45,350 (572,088) 116,330 (563,982) 456,205 388,811 690,005) 13,704 (204,266) 1,246,635 21,114 (1698,180) 1,178,480 (177,986) 237,073 (103,568) (103,568) (103,568) (177,086) (177,086) (1757,132 (160,554) 3,479,721 (188,972) 6,432 (165,554) 3,479,721 (188,972) 6,432 (165,554) 3,479,721 (188,972) 6,432 (165,554) (166,	(572,089) 116,330 (572,089) 116,330 (563,962) 456,205 388,811 689,267 (1,688,180) 1,246,635 389,409 21,114 (634,877) (1176,24) (1757,132) (103,589) 338,122 (896) (177,996) 237,796) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,996) (177,132) (160,554) (1767,132) (160,554) (1767,132) (160,554) (1767,132) (160,554) (1767,132) (1767,132) (1767,132) (1767,132) (1767,132) (1767,132) (1767,132) (1767,132) (1767,132) (1767,132) (1767,132) (1767,132) (1767,132)	45,350 (572,088) 116,330 (563,982) 456,205 38,811 690,005) 1,246,635 32,409 (1778,480 (1778,480 (1778,480 (1778,480 (1778,480 (1778,480 (1778,480 (1778,480 (1778,480 (1778,480 (1778,480 (1778,7132) (1785,132) (1785,132) (1785,132) (1785,132) (1786,544) (1786,544) (1787,132) (1787,132) (1787,132) (1787,132) (1788,641 (1788,64	45,350 (572,088) 116,330 (563,982) 456,205 388,811 694,005 (14,698,180) 1,246,635 32,7073 (103,568) (177,969) (177,969) (177,969) (177,969) (177,969) (177,969) (177,969) (177,969) (177,969) (177,969) (177,132) (188,722) (188,722) (196,564) (196,564) (196,564) (196,564) (196,369) (196,3
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140,173 23.32 Quincy 1,336,275 1,337,334 13.91 12.70 1,059 Randolph 255,677 1,473,176 0.59 3.18 1,217,499 Raynham	23.32 13.91 12.70 1,059 0.59 3.18 1,217,499	12.70 1,059 3.18 1,217,499	1,059		Quincy Randolp Raynhar	÷ E	5,682,179 207,043 35,221	4,214,245 1,909,051 574,456	3.73 0.47 0.29	2.61 (1,467,934) 1,702,008 539,235	Upton Uxbridge Wakefield	486,688 (192,827) 1,372,737	335,605 105,096 1,210,132	8.05 - 1.26 3.05	4.89 0.60 2.57	(151,083) 297,923 (162,605)
2,377,081 1,787,875 14,89 10.33 (589,206) Reading 319,382 (62,008) 2,34 -0.45 (381,390) Renbodh 352,046 325,451 11.71 (26,595) Reverence 76,4899 975,601 1.68 2.02 2.20,712 Richmond 129,093 135,138 31,68 29,52 6,045 Rochester	14.89 10.33 (589,206) 2.34 - 0.45 (381,390) 12.51 11.71 (26,595) 1.68 20.2 220,712 31.68 29.52 6,045	10.33 (589,206) - 0.45 (381,390) 11.71 (26,595) 2.02 220,712 29.52 6,045	(589,206) (381,390) (26,595) 220,712 6,045		Reading Rehoboth Revere Richmond Rochester		1,755,495 256,141 (126,163) 228,677 840,234	2,099,794 446,126 981,256 125,105 663,774	4.09 2.63 - 0.18 8.48	4.46 4.37 1.32 3.74 7.78	344,299 189,985 1,107,419 (103,572) (176,460)	Wales Walpole Watham Ware	610,257 5,003,654 710,141 (663,400)	182,580 1,432,298 6,352,788 821,272 542,761	1.59 4.62 5.12 - 1.90	7.96 3.63 5.50 5.60	822,041 1,349,134 111,131
550,051 534,564 4.24 3.76 (15,487) Rockland 318,331 226,488 3.34 2.29 (91,843) Rockport 192,321 167,863 10.68 9.56 (24,458) Rowe 207,301 294,518 19.31 30.14 87,217 Rowely 85,120 79,994 19.84 23.80 (5,126) Royalston	424 3.76 (15,487) 3.34 2.29 (91,843) 10.68 9.56 (24,458) 19.31 30.14 87,126) 19.84 23.80 (5,126)	3.76 (15,487) 2.29 (91,843) 9.56 (24,458) 30.14 87,217 23.80 (5,126)	(15,487) (91,843) (24,458) 87,217 (5,126)		Rockland Rockport Rowe Rowley Royalston		891,667 1,326,034 1,130,017 239,765	872,252 610,040 798,639 266,345	3.10 8.10 47.07 3.32	2.83 3.36 30.26 3.59	(19,415) (715,994) (331,378) 26,580	Warren Warwick Washington Watertown	288,621 48,474 75,596 2,471,653 1,524,186	233,147 102,910 47,730 3,000,985 1,779,815	6.11 5.18 11.05 4.35	4.50 10.40 6.19 4.98 5.19	(55,474) 54,436 (27,866) 529,332 255,629
16,572 108,956 0.25 1.55 92,384 Russell 3,774,965 8,78 8,78 Rutland 1,675,191 2,131,823 2,84 3,40 456,632 Sales 2,078,900 2,301,407 3,46 3,56 222,477 Salisbury 112,372 35,85 35,6 222,477 Sandisfield	0.25 1.55 92,384 8.78 3.40 456,632 3.46 3.56 222,477 35.85	1.55 92,384 3.40 456,632 3.56 222,477	92,384 456,632 222,477		Russell Rutland Salem Salisbury Sandisfield		193,424 147,186 1,429,092 (688,403) 294,187	180,317 707,766 1,260,229 9,001 463,800	7.94 2.60 1.98 - 6.73 20.77	7.67 10.36 1.68 0.08 34.50	(13,107) 560,580 (168,863) 697,404 169,613	Webster Wellesley Wellfleet Wendell	839,538 2,193,797 716,456 105,702 770,128	829,569 2,516,617 646,124 809,190	3.70 4.20 9.06 8.48 12.98	3.31 4.62 7.11 12.22	(9,969) 322,820 (70,332) 39,062
187,525 94,565 18,58 7,90 (92,960) Sandwich 171,720 87,999 7.79 3.71 (83,721) Saugus 87,251 63,609 7.24 5.18 (23,642) Scituate 241,774 318,330 2.83 3.52 76,556 Seekonk	18.58 7.90 (92.960) 7.79 3.71 (83,721) 7.24 5.18 (23,642) 2.83 3.52 76,556	7.90 (92,960) 3.71 (83,721) 5.18 (23,642) 3.52 76,556	(92,960) (83,721) (23,642) 76,556		Sandwich Saugus Savoy Scituate Seekonk		1,135,681 1,205,913 30,996 1,210,613 1,071,538	593,783 1,163,904 50,959 1,063,831 1,130,927	3.83 2.68 3.14 3.94 5.01	1.76 2.58 4.89 3.18 4.95	(541,898) (42,009) 19,963 (146,782) 59,389	West Boylston West Bridgewater West Brookfield West Newbury West Springfield	1,233,362 700,940 505,366 939,869 1,690,308	1,475,163 350,022 571,529 903,970 4,349,344	12.37 5.84 13.15 14.21 3.73	12.60 2.55 12.01 13.02 8.88	241,801 (350,918) 66,163 (35,899) 2,659,036
(980,576) 79,662 –3.34 0.26 1,060,238 Sharon 6,553,729 5,073,121 3.35 2.55 (1,180,608) Sheffield 133,021 95,953 3.89 0.61 (37,068) Sheburne 975,126 583,453 3.80 2.00 (391,673) Sheborn (672,080) 1,196,494 –1,74 2.85 1,868,574 Shirley	- 3.34 0.26 1,060,238 3.35 2.55 (1,180,608) 0.89 0.61 (37,068) 3.80 2.00 (391,673) - 1.74 2.85 1,868,574	0.26 1,060,238 2.55 (1,180,608) 0.61 (37,068) 2.00 (391,673) 2.85 1,868,574	1,060,238 (1,180,608) (37,068) (391,673) 1,868,574		Sharon Sheffield Shelburne Sherbom Shirley		2,964,233 522,807 124,405 751,494 75,400	1,812,340 702,550 174,243 811,749	9.82 10.87 5.17 7.09 1.10	5.50 (i 14.96 7.21 7.35 6.52	(1,151,893) 179,743 49,838 60,255 413,252	West Stockbridge West Tisbury Westborough Westfield	261,656 2,202,179 2,249,824 25,503	179,967 1,172,739 4,817,155 1,119,035	4.33 6.11 0.08	2.55 2.95 6.50 3.08	(81,689) (1,029,440) 2,567,331 1,093,532
1,903.255 1,898,446 4.76 4.31 (4,809) Shrewsbury 982,802 246,582 4.84 3.20 (114,220) Shutesbury 1,118,001 896,478 4.21 3.20 553,523 Somerset 1,771,451 1,164,001 3.72 2.35 (607,450) Somerset 2,140,167 2,314,741 10,37 10,49 174,574 South Hadley	4.76 4.31 (4,809) 4.84 3.20 (114,220) 4.21 3.02 (253,523) 3.72 2.35 (607,450) 10.37 10.49 174,574	4.31 (4,809) 3.20 (114,220) 3.02 (253,523) 2.35 (607,450) 10.49 174,574	(4,809) (114,220) (253,523) (607,450) 174,574		Shrewsbury Shutesbury Somerset Somerville South Hadley		3,909,803 204,769 2,637,174 4,822,698 617,194	2,996,394 216,802 3,013,474 4,876,268 718,471	8.66 7.04 8.33 4.16 2.70	6.91 6.54 8.82 4.04 2.98	(913,409) 12,033 376,300 53,570 101,277	Westhampton Westminster Weston Westport	41,152 706,967 1,279,433 801,393 1,316,226	26,211 1,181,372 822,974 610,559 811,107	1.74 9.14 3.88 4.75 4.08	0.99 12.82 2.36 *	(14,941) 474,405 (456,459) (190,834) (505,119)
375,172 469,652 2.07 2.29 94,480 Southampton 184,635 382,267 5.45 10.04 167,632 Southborough 1,773,760 580,260 7.03 2.06 (1,935,500) Southborough 1,049,094 717,728 5.42 3.34 (331,366) Southwick 1,071,747 1,014,345 1.36 1.23 (57,402) Spencer	2.07 2.29 94,480 5.45 10.04 167,632 7.03 2.05 (1,193,500) 5.42 3.34 (331,366) 1.36 1.23 (57,402)	2.29 94,480 10.04 167,632 2.05 (1,193,500) 3.34 (331,366) 1.23 (57,402)	94,480 167,632 (1,193,500) (331,366) (57,402)		Southampton Southborough Southbridge Southwick Spencer		359,640 1,316,207 1,625,743 691,323 150,746	264,824 1,094,836 2,897,354 561,415 225,820	5.19 8.98 5.82 7.63 1.63	3.49 7.08 9.95 5.67 2.35	(94,816) (221,371) 1,271,611 (129,908) 75,074	Weymouth Whately Whitman Wilbraham	1,573,841 204,625 622,645 456,544 200,144	1,582,980 189,841 732,294 315,557 218,180	1.87 7.65 3.72 2.58 6.17	1.81 6.83 4.31 1.70 6.43	9,139 (14,784) 109,649 (140,987) 18,036
1,307,865 626,676 11.19 4.64 (681,189) Springfield 294,177 56,439 14,67 3.09 (177,738) Sterling 386,440 493,205 3.30 106,765 Storkinge 1,835,601 1,667,781 11.48 9.98 (180,202) Storueham 265,986 432,373 11.86 18.32 166,387 Stoughton	11.19 4.64 (681,189) 14.67 3.09 (177,738) 3.30 106,765 1 11.48 9.98 (168,020) 11.36 18.32 166,387	4.64 (681,189) 3.09 (177,738) 3.90 106,765 9.98 (168,020) 18.32 166,387	(681,189) (177,738) 106,765 (168,020) 166,387		Springfield Sterling Stockbridge Stoneham Stoughton		222,984 1,641,700 992,964 1,246,254	(10,178,429) 1,319,470 1,258,729 265,478	2.74 36.86 2.59 2.68	- 3.17 23.23 3.09 0.55	(322,230) 265,765 (980,776)	Williamstown Wilmington Winchendon Winchester Windsor	361,487 213,729 255,162 1,084,635 206,588	700,817 1,062,798 934,456 264,428	3.24 0.58 1.63 2.55 14.85	5.78 2.74 5.14 *	339,330 849,069 679,294 57,840
1,237,033 4,39 6,72 474,528 128,552 -1.69 0.59 472,679 575,322 10.11 10.94 94,216 4,860,747 7.87 5,43 (1,686,419) 259,241 9,20 12.56 78,303	4.39 6.72 474,528 1 -1.69 0.59 472,679 10.11 10.94 94,216 7.87 5.43 (1,686,419) 9.20 12.56 78,303	6.72 474,528 0.59 472,679 10.94 94,216 5.43 (1,686,419) 12.56 78,303	474,528 472,679 94,216 (1,686,419) 78,303		Stow Sturbridge Sudbury Sunderland Sutton		919,090 942,411 993,696 176,421 (484,677)	703,369 847,367 281,577 63,637	10.12 7.17 2.85 4.37 - 4.15	6.99 6.23 6.65 0.51	(215,721) (95,044) 105,156 548,314	Winthrop Wobum Worcester Worthington Wrentham	681,193 (1,476,780) 4,028,831 131,291 752,957	291,409 1,518,391 2,993,157 131,553 748,878	2.41 - 2.24 1.31 8.29 4.83	1.07 2.16 0.90 7.82 4.25	(389,784) 2,995,171 (1,035,674) 262 (4,079)
1,365,635 1,055,213 5.69 4,14 (310,422) Swampscott (4,193,274) 1,933 14,75 632,576 Swamsea 62,126 71,850 447 7,12 9724 Taumfon 207,644 225,783 11,89 12,43 18,139 Templeton (56,700) -4.68	5 69 4.14 (310.422) 9.93 14.75 622,576 4.47 7.12 9.724 11.89 12.43 18.139 - 4.68	4.14 (310,422) 14.75 632,576 7.12 9,724 12.43 18,139	(310,422) 632,576 9,724 18,139		Swampscott Swansea Taunton Templeton Tewksbury		285,510 (503,266) 3,682,088 428,280 1,631,963	(467,387) 5,264,159 765,831 872,352	1.05 - 2.55 4.08 8.69 3.38	- 2.30 5.36 11.02 1.73	35,879 1,582,071 337,551 (759,611)	ars ,		343,011,736 (15,593,461)	5		(,,050,,922)
2.053,544 2.053,544 2.053,545 2.053,545 2.053,545 2.053,545 2.053,840 2.054,840 2.054,840 2.054,840 2.054,840 2.054,840 2.054,840,840 2.054,840,840 2.054,840,840 2.054,840,840 2.054,840,840 2.054,840,840 2.054,840 2.	2.74 8.31 31,359 5.61 8.37 357,713 3.14 6.37 357,713 6.60 3.35 (3,238,177) 8.87 3.84 (194,883)	8.31 31,359 6.37 357,713 3.35 (3,238,177) 3.84 (194,883)	31,359 357,713 (3,238,177) (194,883)		Tisbury Tolland Topsfield Townsend Truro		1,918,530 119,526 661,146 521,323 328,684	734,121 105,877 733,821 464,437	16.72 22.62 6.69 5.52 5.55	5.68 (19.56 6.87 4.79	(1,184,409) (13,649) 72,675 (56,886)	Positive 321 Negative 22 Not Certified 8 Tax Rate not set as of 3/19/97 (*)	321 22 8 of 3/19/97 (*)	304 36			

6 Division of Local Services City & Town April 1997

Free Cash — A Basic Discussion → continued from page three

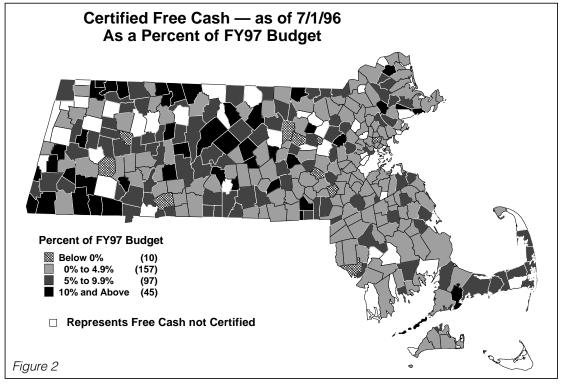
variance indicates problems with a community's accounting records and BOA will not certify free cash until the accountant or auditor provides a detailed reconciliation of the two reports.

At midnight on June 30 a free cash certification expires. This occurs because free cash must reflect the results of operations in the year just ended and not that of an earlier year. Free cash will not be available until a balance sheet for the fiscal year just

ended has been submitted and the free cash number is calculated, verified and certified.

Analysis

At the time this article was written 315 cities and towns had certified free cash as of 7/1/96. (See Table 1.) The number of communities with positive free cash is 304, with balances totaling \$343 million. Eleven communities have negative free cash balances amounting to \$15.6 million and 36 communities had not submitted their balance sheets. Free cash certifications in these 315 communities range from a high of \$20.8 million to a low of negative \$10.2 million. As a percentage of municipal budgets (see Figure 2) free cash averages 5.86 percent (as of 7/1/96) which is a drop of 0.12 percent from the prior year. The numbers, as a



percent of budget in FY97, range from a high of 34.5 percent to a low of negative 8.73 percent.

For comparison purposes we will look at only 306 of the 315 communities with certified free cash as of 7/1/96. We have chosen these 306 communities because each of them has set their tax rate for FY97 and has a certified free cash number for both 7/1/95 and 7/1/96. Of the 17 communities with negative free cash last year (as of 7/1/95), 13 of them have climbed to a positive cash figure in the most recent certification. Only five communities that had positive free cash as of 7/1/95 have dropped to a negative balance as of 7/1/96.

Overall, free cash, as of 7/1/96, has increased by approximately \$15.5 mil-

lion (4.85 percent) over the previous year in the 306 communities with complete data. There are 160 communities that experienced an increase in free cash totaling \$76.6 million (or a 59 percent increase over the previous year's certification). Conversely, there are 146 communities that saw a decline in free cash of \$61.2 million (or negative 32.2 percent reduction over the prior year's certification). Although the resulting net change in free cash appears to be relatively inconsequential, a closer look shows that there was a great deal of activity with more communities registering increases rather than decreases. In addition, the analysis indicates that free cash statewide is stable with a slight upward swing.

Data analysis by Donna Demirai

City & Town April 1997 Division of Local Services 7

DLS UPDATE

Director of Administration

Assuming the position of Director of Administration in the Division of Local Services (DLS) is Gerard Perry. In addition to administrative duties he will manage special projects in the division. The first of these special projects will be school district reviews throughout the Commonwealth to determine if the goals of Education Reform are being met.

Gerry comes to DLS with a wealth of government knowledge and experience. For the past 13 years, he has worked as an inspector in DOR's Office of Internal Affairs. Previously, he was a police sergeant on the north shore. As a resident of Swampscott, he has served as chairperson of the capital improvement committee for six years and town meeting member for 10 years. Currently, he is a member of the finance committee that he chaired for several years.

Gerry has a bachelor degree in criminal justice from Northeastern University and an advanced degree in public administration from Suffolk University.

Data Bank Director

The Municipal Data Bank's new director is Stanley Nyberg. Stan has just joined the Division of Local Services after having worked in DOR's Child Support Enforcement Division (CSE) as Data Integrity Coordinator/Internal Consultant for the past six years. Previously he was deputy chief of DOR's former MASSTAX Bureau.

While employed in CSE, Stan analyzed and modified the revenue accounting and case management system, developed data bases for financial and demographic information and supervised technical staff. Stan's unique talents

and abilities will be used to analyze data and to enhance the exchange of information with DLS constituents, e.g., municipal govenment officials, the administration, legislators, state agencies and the public.

He holds a Ph.D from State University of New York and subsequently a masters in public and private management from Yale University. In addition to his intellectual pursuits he has been active as a member of the board of directors for a children's home in Connecticut, as a fund raiser for his university, and playing rugby and running.

Job Opportunity

DOR's Division of Local Services (DLS) is seeking a program manager to write, review and edit DLS articles and publications on a variety of local government finance topics, including the monthly publication *City & Town*. This employee will also assist in the production of technical manuals and other training materials by working with DLS staff and local officials to ensure their accuracy and clarity. In addition, this program manager will oversee division-wide special projects and coordinate the work of other staff. Other job duties will include

conducting research on state and federal programs and regulations as well as performing the qualitative research and quantitative analysis necessary to help the administration and legislature make policy decisions.

A minimum of four years experience is preferable and a bachelor's degree is required. Send cover letter, writing samples and resume to Marilyn H. Browne, Division of Local Services, PO Box 9655, Boston, MA 02114-9655, or fax to (617) 626-2330. ■

Contingent Appropriations

→ continued from page two

place no later than 45 days after the close of the town meeting at which the contingent appropriation vote was taken. If an election does not occur within that time period, the contingent appropriation is null and void;

- Other elections may be scheduled if the question is not approved at the first election, but they must be held no later than 90 days after the close of the town meeting at which the contingent appropriation vote was taken. If the voters have not approved the question upon expiration of the 90 day period, the contingent appropriation is null and void; and
- If the contingent appropriation was made from the tax levy, the tax rate cannot be submitted to the Commissioner of Revenue for approval until the question has been voted upon, or 45 days have passed, whichever occurs first. ■

Legal

→ continued from page two

A: Unless the municipality has accepted M.G.L. Ch.40 Sec.42J for water charges and/or M.G.L. Ch.83 Sec.16G for sewer charges, the taxpaver may not defer these utility charges which are added to the property tax bill for purposes of collection. If the taxpaver defers all or a portion of the real estate taxes, a lien called a Statement of Entry into Tax Deferral and Recovery Agreement is recorded at the Registry of Deeds and the tax amount deferred is treated like a tax title. The collector would certify all unpaid water and sewer charges to the tax title account. The deferred taxes will accrue interest at 8 percent. Interest on the utility charges would accrue at 16 percent, rather than 8 percent rate, if deferred. ■

Compiled by James Crowley

8 Division of Local Services CITY & Town April 1997

Municipal Fiscal Calendar

May 1

Taxpayer: Deadline for Payment of Semi-annual and Quarterly Tax Bill Without Interest

Treasurer: Deadline for Payment of 2nd Half of County Tax

Accountant/Treasurer: Notification of Amount of Debt Due in Next Fiscal Year As required by M.G.L. Ch. 44, Sec. 28, the Accountant or Treasurer must notify the Assessors of all debt due in the next fiscal year because the town is required to pay its debts, appropri-

Since all debt service must be paid, any debt service not covered by town meeting appropriations is added to the "Other Local Expenditures" category, found on page 2 of the Tax Recapitulation Sheet. It is important that the Assessors have this information in order to avoid setting a tax rate lower than required and raising insufficient revenue to cover the municipality's expenditures.

May 15

Treasurer: 3rd Quarterly Reconciliation of Cash (due 45 days after end of quarter)

DOR/BLA: Commissioner Determines and Certifies Telephone and Telegraph Company

Valuations

Deputy Commissioner

Early in March 1997, Joseph J. Chessey, Jr. joined the Division of Local Services (DLS) as its new Deputy Commissioner. Immediately prior to his arrival, he was serving his fifth term as mayor of the City of Chicopee, the only mayor of the city to have served that many terms. Before being elected mayor, he was a member of the board of alderman for four years, two of which were as its president. The former mayor comes to DLS ready for action after his many years of first hand experience in municipal management.

Currently, Deputy Commissioner Chessey is working on matters of concern to local officials. He is involved in plan-9M 3/97 D697BO4

ning school district reviews (Executive Order 393), overseeing property recertification and tax rate setting procedures for FY98, analyzing the effects of utility deregulation on municipalities and developing technology to enable local officials to send and receive data electronically.

Joe Chessey has lived in Chicopee all his life and he and his wife have two teenage children. Before his government service Joe ran a successful small business in his hometown and was active in local business associations. In addition to his official duties, he continues as an assistant scout master for the Boy Scouts of America. ■

Data Bank Highlight

Appropriations and Revenues Report

Budgeting season is underway for cities and towns. The Appropriations and Revenue Report is a five-year summary of Tax Recapitulation Sheet data summarizing appropriations and revenues and tax levy. This report is useful for trend analysis in your community. The first part of the report shows all appropriations, deficits raised, state assessments and overlay. The second part of the report shows available revenues: state aid, local receipts, free cash and other funds. Part three shows the net amount that was raised from the property tax levy. ■

To obtain Municipal Data Bank information contact: John Sanguinet at (617) 626-2355 for printed reports and data files; Burt Lewis at (617) 626-2358 for the On-Line Access System; or use the World Wide Web address below.

City & Town



City & Town is published 11 times a year by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials. DLS offers numerous publications on municipal law and finance, available by calling (617) 626-2300, or through the DLS World Wide Web site at http://www.state.ma.us/dls or by writing to PO Box 9655, Boston, MA 02114-9655.

Marilyn H. Browne, Editor

CITY&TOWN

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